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**BEFORE THE ARIZONA CORPORATION COMMISSION**

TOM FORESE, Chairman  
BOB BURNS  
DOUG LITTLE  
ANDY TOBIN  
BOYD W. DUNN

Arizona Corporation Commission

**DOCKETED**

**MAY 17 2017**

DOCKETED BY

IN THE MATTER OF THE  
APPLICATION OF ARIZONA PUBLIC  
SERVICE COMPANY FOR A HEARING  
TO DETERMINE THE FAIR VALUE OF  
THE UTILITY PROPERTY OF THE  
COMPANY FOR RATEMAKING  
PURPOSES TO FIX A JUST AND  
REASONABLE RATE OF RETURN  
THEREON, TO APPROVE RATE  
SCHEDULES DESIGNED TO DEVELOP  
SUCH RETURN

Docket No. E-01345A-16-0036

IN THE MATTER OF FUEL AND  
PURCHASED POWER PROCUREMENT  
AUDITS FOR ARIZONA PUBLIC  
SERVICE COMPANY

Docket No. E-01345A-16-0123

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**VOTE SOLAR'S INITIAL POST-HEARING BRIEF**

May 17, 2017

1     **I.     INTRODUCTION**

2             The Commission should approve the Proposed Settlement Agreement<sup>1</sup> without  
3     modification because the agreement represents a reasonable compromise resolving the many  
4     contested issues presented in Arizona Public Service's ("APS" or the "Company") rate case and  
5     fuel and power procurement audit proceeding. Vote Solar participated in these consolidated  
6     cases because properly designed rates are necessary to support the integration of distributed  
7     generation ("DG") in Arizona and to allow customers to enjoy the benefits thereof, including  
8     increased economic opportunity, energy freedom, and free market competition. Specifically,  
9     Vote Solar sought to advocate for fair rates and rate designs that benefit all customers and that  
10    implement the Commission's decision in the Value of Distributed Generation ("Value of DG")  
11    proceeding.<sup>2</sup>

12            While Vote Solar did not prevail on all of its positions, no signatory, including APS and  
13    its allied parties, got everything it advocated for. That is the nature of settlement and  
14    compromise, and the end product of the lengthy negotiations that took place in this case is an  
15    agreement that is just, reasonable, fair, and in the public interest. Therefore, Vote Solar  
16    respectfully asks the Commission to approve the Proposed Settlement Agreement without  
17    modification.

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<sup>1</sup> Settlement Agreement, Docket Nos. E01345A-16-0036 and E-01345A-16-0123, *In The Matter of the Application of Arizona Public Service Company for a Hearing to Determine the Fair Value of the Utility Property of the Company for Ratemaking Purposes to Fix a Just and Reasonable Rate of Return Thereon, to Approve Rate Schedules Designed to Develop such Return and In the Matter of Fuel and Purchased Power Procurement Audits for Arizona Public Service Company*, filed March 27, 2017.

<sup>2</sup> See Decision No. 75859, amended by Decision No. 75932, Docket No. E00000J-14-0023, *In the matter of the Commission's Investigation of Value and Cost of Distributed Generation*, January 3, 2017.

1    **II.    DISCUSSION**

2            **A.    The Commission Should Approve the Proposed Settlement Agreement**  
3    **without Modification**

4            The Proposed Settlement Agreement represents a give and take of many parties and  
5    achieves a reasonable compromise on a range of issues affecting APS and its customers. Like all  
6    parties, Vote Solar had an opportunity to actively participate in settlement negotiations. Vote  
7    Solar worked with APS, Staff, and other parties to reach a compromise and contributed to  
8    drafting settlement terms that protect solar customers consistent with this Commission's orders.<sup>3</sup>  
9    Neither Vote Solar nor any other party to the settlement views the compromise reached as  
10   perfect, and the Commission may have questions or concerns about certain discrete portions of  
11   the Proposed Settlement Agreement. However, the settlement as a whole represents a resolution  
12   that is in the public interest, striking a delicate balance between competing interests on numerous  
13   interrelated issues among the signatory parties.

14                    1.    *Extensive Settlement Negotiations Resulted in an Agreement that*  
15                                *Represents a Middle Ground Between the Litigating Positions of APS and*  
16                                *Allied Parties and the Litigating Positions of Vote Solar*

17            After conducting a thorough analysis of the APS cost of service study, Vote Solar's  
18   expert witness, Briana Kobor, recommended that the Commission take the following actions:

- 19            •    Grandfather existing DG customers into retail rate net metering and current rate  
20                   design options.
- 21            •    Refrain from placing additional restrictions on the modified net metering rider  
22                   and reject APS's proposal to restrict enrollment on Rider EPR-6S to systems less  
23                   than 100 kW.

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<sup>3</sup> See e.g. docket nos. E-04204A-15-0142, E-00000J-14-0023, and E-01933A-15-0322.

- 1 • Maintain existing residential and extra small commercial rate options.
- 2 • Reject proposed increases to the Basic Service Charge for residential and extra
- 3 small commercial customers.
- 4 • Establish a peak period of 2 p.m. to 7 p.m.
- 5 • Provide DG customers with the same rate options as other residential customers.
- 6 • Exempt DG customers who sign up for interconnection after the grandfathering
- 7 deadline from rate rider LFCR-DG.
- 8 • Reject proposed modifications to the lost fixed cost recovery ("LFCR") structure
- 9 at this time.<sup>4</sup>

10 The Proposed Settlement Agreement does not incorporate all of these recommendations  
11 but represents a middle ground between Vote Solar's and APS's positions on many of the issues  
12 on which Vote Solar testified. For example, citing testimony claiming the existence of a cost  
13 shift, APS originally proposed to restrict new DG customers to a single rate option, schedule R-  
14 3, with a large demand charge.<sup>5</sup> Ms. Kobor found that DG does not result in a cost shift to non-  
15 participating customers and recommended that the Commission give DG customers access to all  
16 the same rate options as non-DG customers without any additional charges.<sup>6</sup> Despite these  
17 divergent positions, the parties were able to reach a compromise whereby new DG customers  
18 will have the choice of four different rate schedules, including one two-part time-of-use ("TOU")  
19 and three three-part rate options.<sup>7</sup> Thus, the Proposed Settlement Agreement provides new DG  
20 customers with more rate options than what APS proposed but fewer options than what Vote  
21 Solar proposed.

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<sup>4</sup> Direct Test. of Briana Kobor on behalf of Vote Solar at 8:11-29 ("Kobor Direct").

<sup>5</sup> Arizona Public Service Company Rate Application, Attachment 1 at page 27

<sup>6</sup> Kobor Direct at 8:21-22

<sup>7</sup> Settlement Agreement at § 18.1

1                   2.     *The Proposed Settlement Agreement Applies this Commission's Value of*  
2                             *Distributed Generation Order*

3             The Proposed Settlement Agreement applies the Value of DG decision by (i) using a  
4     Resource Comparison Proxy Rate ("RCP"), plus transmission and distribution avoided loss  
5     adders, to value exported energy;<sup>8</sup> (ii) adopting a Plan of Administration<sup>9</sup> ("POA") that provides  
6     the mechanism for annual modifications to the RCP rate;<sup>10</sup> and (iii) grandfathering existing  
7     customers for 20 years.<sup>11</sup> As a result, the Proposed Settlement Agreement not only benefits  
8     existing DG customers but also establishes a just and reasonable RCP rate for new DG customers  
9     who sell their excess energy back to the grid.

10            Section 18.3 of the Proposed Settlement Agreement provides that the RCP for exported  
11     energy will be \$0.129/kWh in year one, \$0.02/kWh above the RCP identified in Decision  
12     75859.<sup>12</sup> The POA for the RCP rate is based on a historical rolling five-year weighted average  
13     cost per kWh for all grid-scale renewable solar photovoltaic generating systems serving APS  
14     customers, including APS-owned facilities and facilities from which APS purchases power.<sup>13</sup>  
15     The RCP calculation is adjusted for avoided transmission capacity cost, avoided distribution  
16     capacity cost, and line losses, as the Commission directed in Decision 75859, by adding  
17     \$0.02/kWh.<sup>14</sup> While two cents represents a conservative value for avoided transmission and  
18     distribution capacity and avoided line losses, Vote Solar believes the RCP rate is just,  
19     reasonable, and in the public interest as part of (and contingent on) resolving the balance of  
20     issues addressed by the Proposed Settlement Agreement.

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<sup>8</sup> Settlement Agreement at § 18.3

<sup>9</sup> *Id.* at App H

<sup>10</sup> *Id.*

<sup>11</sup> *See id.* at §§ 18.5, .6

<sup>12</sup> *See* Direct Testimony of Briana Kobor in Support of the Proposed Settlement Agreement on Behalf of Vote Solar at 8:3-7 ("Kobor Settlement Testimony").

<sup>13</sup> Settlement Agreement at App H at 4 of 21

<sup>14</sup> *Id.* at App H at 9

1 Further, the Proposed Settlement Agreement grandfathers customers with existing  
2 distributed generation. Section 18.6 of the Proposed Settlement Agreement provides that “[a]s  
3 contemplated in Decision No. 75859, grandfathered DG customers will continue to take service  
4 under full retail rate net metering and will continue to take service on their current tariff schedule  
5 for the length of the grandfathering period.” As noted in Ms. Kobor’s pre-filed direct testimony,  
6 grandfathering customers with existing distributed generation so that they take service under full  
7 retail rate net metering is appropriate.<sup>15</sup> The Proposed Settlement Agreement fairly and  
8 reasonably resolves this issue for the parties by grandfathering customers.

9 3. *Other Compromises Contained in the Settlement are in the Public Interest*

10 In addition to the provisions discussed above, the Proposed Settlement Agreement  
11 contains the following provisions that, when considered with the balance of issues addressed by  
12 the Proposed Settlement Agreement, are reasonable and in the public interest of APS customers:

13 a) Peak Period Definition

14 The Proposed Settlement Agreement provides an on-peak period for residential  
15 customers on a TOU rate and demand charge rate of 3 p.m. to 8 p.m.<sup>16</sup> APS’s current on-peak  
16 period is from noon to 7 p.m.<sup>17</sup> While Vote Solar recommended a shorter peak period, from 2  
17 p.m. to 7 p.m., when considered with the balance of many different issues addressed by the  
18 Proposed Settlement Agreement, the 3 p.m. to 8 p.m. period peak is reasonable.<sup>18</sup>

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<sup>15</sup> Kobor Direct at 74:15-26

<sup>16</sup> Settlement Agreement at § 17.8

<sup>17</sup> APS Application at 11:26

<sup>18</sup> Kobor Settlement Testimony at 5:21-23

1                                   b)     Residential Rate Options

2             The Proposed Settlement Agreement also discontinues standard tiered volumetric rates.<sup>19</sup>  
3     Vote Solar recommended that the Commission maintain all existing residential rate options,  
4     including the existing standard tiered volumetric rate, the two-part TOU rate, and the three-part  
5     TOU rate options.<sup>20</sup> Under the Proposed Settlement Agreement, the standard volumetric rate  
6     will be replaced with seven different rate options including: i) three flat two-part rates for extra-  
7     small, regular, and large residential customers, all including a Basic Service Charge;<sup>21</sup> ii) two  
8     three-part rates available to all customers that includes a Basic Service Charge;<sup>22</sup> iii) a R-Tech  
9     three-part pilot rate program for residential customers with two or more qualifying primary on-  
10    site technologies, or one qualifying on-site technologies and two or more qualifying secondary  
11    on-site technologies, that also includes a Basic Service Charge;<sup>23</sup> and, one TOU rate available to  
12    all customers with a Basic Service Charge for non-DG customers and a Grid Access Charge for  
13    DG customers.<sup>24</sup> While Vote Solar continues to believe that maintaining a standard tiered rate to  
14    provide important price signals for energy efficiency and conservation is the best rate design,  
15    when considered with the balance of issues addressed by the Proposed Settlement Agreement,  
16    these residential rate options are reasonable and in the public interest.

17                                   c)     Rate Design for DG Customers

18             The Proposed Settlement includes a \$0.93/kW-dc Grid Access Charge for new DG  
19     customers on the two-part TOU rate. This Grid Access Charge was negotiated to result in a self-

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<sup>19</sup> See Settlement Agreement at § XVII

<sup>20</sup> See Kobor Direct at 8:16-17

<sup>21</sup> Settlement Agreement at §§ 17.1, .2, .3. The Proposed Settlement Agreement adopts a Basic Service Charge of \$10-20 per month, depending on the rate schedule.

<sup>22</sup> *Id.* at §§ 17.5, .6

<sup>23</sup> *Id.* at § 17.7. All qualifying technologies are set forth in Rate Schedule R-Tech in Appendix F of the Proposed Settlement Agreement.

<sup>24</sup> *Id.* at § 17.4

1 consumption offset on the two-part TOU rate of \$0.120 inclusive of taxes and adjustors.<sup>25</sup> While  
2 Vote Solar has advocated that, finding no cost shift from DG customers to non-participating  
3 customers, APS should not impose additional charges on DG customers, when considered with  
4 the balance of issues addressed by the Proposed Settlement Agreement, the negotiated Grid  
5 Access Charge is reasonable and in the public interest.

6 **B. Material Changes to the Proposed Settlement Agreement Would Likely**  
7 **Delay and Reduce Ratepayer Benefits**

8 As discussed above, the settlement represents a delicate balance between competing  
9 interests on numerous interrelated issues among the signatory parties. Any material changes  
10 would throw off that balance. This is why the Proposed Settlement Agreement provides that if  
11 any material change is made, parties are free to revoke their consent and pursue a fully litigated  
12 hearing on all of the issues in this case.<sup>26</sup> Thus, material changes will likely delay and reduce the  
13 benefits for Arizona ratepayers that the Proposed Settlement Agreement would immediately  
14 provide.

15 **III. CONCLUSION**

16 The Proposed Settlement Agreement is just, reasonable, fair and in the public interest.  
17 For these reasons, Vote Solar respectfully asks the Commission to approve the Proposed  
18 Settlement Agreement without modification.

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<sup>25</sup> *Id.* at § 18.2

<sup>26</sup> *Id.* at § 39.5 Because the hearing schedule was changed following the settlement, Vote Solar and other parties did not have an opportunity to provide all relevant and necessary evidence on rates and rate design that would be necessary if the Commission rejects the Proposed Settlement Agreement and sets rates based on anything other than the Agreement. Therefore, if the Proposed Settlement Agreement is not adopted whole—including if any material changes are made—a new hearing schedule and opportunity to develop the required evidence is necessary.

1 DATED May 17, 2017

2 By 

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14 ORIGINAL and 13 COPIES of the  
15 Foregoing filed this 17<sup>th</sup> day of May,  
16 2017, with:

17 Docketing Supervisor  
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19 Arizona Corporation Commission  
20 1200 W. Washington  
21 Phoenix, AZ 85007

22 COPIES of the foregoing  
23 Electronically mailed this  
24 17<sup>th</sup> day of May, 2017, to:

25 All Parties of Record